

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Richland Community Library	County Kalamazoo
Fiscal Year End September 30, 2006	Opinion Date November 13, 2006	Date Audit Report Submitted to State December 26, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

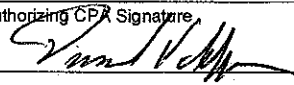
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No other documents necessary	
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269) 381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		Zip 49002	
Authorizing CPA Signature 		Printed Name Daniel L. Veldhuizen, CPA	License Number 1101020724

Richland Community Library
Kalamazoo County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended September 30, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Richland Community Library, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Richland Community Library, as of September 30, 2006, and for the year then ended, which collectively comprise the Library's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Richland Community Library as of September 30, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison schedule, on page 13, is not a required part of the basic financial statements of the Richland Community Library, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Richland Community Library has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Siegfried Crandall P.C.

November 13, 2006

BASIC FINANCIAL STATEMENTS

Richland Community Library
STATEMENT OF NET ASSETS
September 30, 2006

ASSETS

Current assets:

Cash	\$ 831,243
Receivables	<u>1,120</u>

Total current assets 832,363

Noncurrent assets:

Capital assets not being depreciated - land	113,815
Capital assets, net of accumulated depreciation	<u>1,762,594</u>

Total noncurrent assets 1,876,409

Total assets 2,708,772

LIABILITIES

Current liabilities:

Payables	1,189
Interest payable	3,400
Bonds payable	<u>40,000</u>

Total current liabilities 44,589

Noncurrent liabilities - bonds payable 820,000

Total liabilities 864,589

NET ASSETS

Invested in capital assets, net of related debt	1,016,409
Restricted for debt service	21,968
Unrestricted	<u>805,806</u>

Total net assets \$ 1,844,183

See notes to the financial statements

Richland Community Library
STATEMENT OF ACTIVITIES
Year ended September 30, 2006

PROGRAM EXPENSES

Culture and recreation:

Library services	\$ 220,996
Depreciation	89,933
Interest	<u>41,980</u>

Total program expenses 352,909

PROGRAM REVENUES

Charges for services	8,666
Operating grants and contributions	<u>10,967</u>

Total program revenues 19,633

Net program expenses (333,276)

GENERAL REVENUES

Property taxes	320,075
State grants	4,689
District court penal fines	15,204
Unrestricted investment return	<u>34,481</u>

Total general revenues 374,449

CHANGE IN NET ASSETS 41,173

NET ASSETS - BEGINNING 1,803,010

NET ASSETS - ENDING \$ 1,844,183

See notes to the financial statements

Richland Community Library
BALANCE SHEET - governmental funds
September 30, 2006

	<u>Major funds</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Totals</u>
ASSETS			
Cash	\$ 805,875	\$ 25,368	\$ 831,243
Pledges receivable	<u>1,120</u>	<u>-</u>	<u>1,120</u>
Total assets	<u>\$ 806,995</u>	<u>\$ 25,368</u>	<u>\$ 832,363</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	<u>\$ 1,189</u>	<u>\$ -</u>	<u>\$ 1,189</u>
Fund balances:			
Reserved for debt service	-	25,368	25,368
Unreserved, undesignated	<u>805,806</u>	<u>-</u>	<u>805,806</u>
Total fund balances	<u>805,806</u>	<u>25,368</u>	<u>831,174</u>
Total liabilities and fund balances	<u>\$ 806,995</u>	<u>\$ 25,368</u>	<u>\$ 832,363</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Total fund balances	\$ 831,174
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the governmental funds.	1,876,409
Interest payable does not require recognition in the governmental funds.	(3,400)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(860,000)</u>
Net assets of <i>governmental activities</i> (page 4)	<u>\$ 1,844,183</u>

See notes to the financial statements

Richland Community Library

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds**

Year ended September 30, 2006

	Major funds		Totals
	General	Debt Service	
REVENUES			
Property taxes	\$ 244,850	\$ 75,225	\$ 320,075
State grants	4,689	-	4,689
Charges for services	6,329	-	6,329
Fines and forfeitures	15,204	-	15,204
Investment return	33,148	1,333	34,481
Contributions	24,543	-	24,543
Other	2,337	-	2,337
Total revenues	331,100	76,558	407,658
EXPENDITURES			
Culture and recreation	260,707	64	260,771
Capital outlay	38,980	-	38,980
Debt service:			
Principal	-	35,000	35,000
Interest	-	42,080	42,080
Total expenditures	299,687	77,144	376,831
NET CHANGE IN FUND BALANCES	31,413	(586)	30,827
FUND BALANCES - BEGINNING	774,393	25,954	800,347
FUND BALANCES - ENDING	\$ 805,806	\$ 25,368	\$ 831,174

Amounts reported for *governmental activities* in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 30,827
Capital assets:	
Assets acquired	78,755
Provision for depreciation	(89,933)
Long-term debt - principal repayments	35,000
Changes in other assets/liabilities:	
Net decrease in deferred revenue	(13,576)
Net decrease in accrued interest	100
Change in net assets of <i>governmental activities</i> (page 5)	\$ 41,173

See notes to the financial statements

Richland Community Library
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Richland Community Library, Michigan (the Library), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

These financial statements contain only the activity of the Library, a district library pursuant to 1989 PA 24, effective April 2, 1990. The participating municipalities include the Township of Richland and the Village of Richland.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. The effect of all interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Library.

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Library reports the following major governmental funds:

The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the Library.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Cash - Cash is considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables and payables - In general, outstanding balances between funds are reported as "due to/from other funds." All receivables are due within one year and are considered fully collectible.

iii) Capital assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment	3 - 20 years
Materials	5 - 10 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Property tax recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Library levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles. The budget document presents information by function, department, and line-item. The legal level of budgetary control adopted by the Board is the functional level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library's significant budgetary violation follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Capital outlay	\$ 11,070	\$ 38,980	\$ (27,910)

NOTE 3 - CASH:

Cash consists of the following:

Deposits with financial institutions	\$ 830,830
Cash on hand	<u>413</u>
Total	<u>\$831,243</u>

Deposits are carried at cost and are maintained at various financial institutions in the name of the Library. Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Library's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Library will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At September 30, 2006, \$541,579 of the Library's bank balances of \$865,067 was exposed to custodial credit risk because it was uninsured.

The Library believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Library for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 113,815	\$ -	\$ -	\$ 113,815
Capital assets being depreciated:				
Buildings	1,635,800	-	-	1,635,800
Furniture, fixtures, and equipment	222,722	32,120	-	254,842
Materials	273,476	46,635	(23,398)	296,713
Subtotal	2,131,998	78,755	(23,398)	2,187,355
Less accumulated depreciation for:				
Buildings	(160,729)	(36,815)	-	(197,544)
Furniture, fixtures, and equipment	(61,265)	(25,824)	-	(87,089)
Materials	(136,232)	(27,294)	23,398	(140,128)
Subtotal	(358,226)	(89,933)	23,398	(424,761)
Total capital assets being depreciated, net	1,773,772	(11,178)	-	1,762,594
Governmental activities capital assets, net	\$ 1,887,587	\$ (11,178)	\$ -	\$ 1,876,409

NOTE 5 - BONDS PAYABLE:

Bonds payable at September 30, 2006, is comprised of the \$985,000 2001 unlimited tax general obligation bonds, payable in annual installments ranging from \$20,000 to \$80,000, plus interest at 4.25% to 5.00%; final payment is due September 2021.

Long-term debt activity for the year ended September 30, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2001 general obligation	\$ 895,000	\$ -	\$ (35,000)	\$ 860,000	\$ 35,000

Richland Community Library
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - BONDS PAYABLE (Continued):

Debt service requirements at September 30, 2006, are as follows:

<u>Year ended September 30:</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 40,000	\$ 40,592
2008	40,000	38,892
2009	45,000	37,190
2010	50,000	35,280
2011	50,000	33,155
2012 - 2016	275,000	130,825
2017 - 2021	<u>360,000</u>	<u>55,750</u>
Total	<u>\$ 860,000</u>	<u>\$ 371,684</u>

NOTE 6 - RISK MANAGEMENT:

The Library is exposed to various risks of loss due to general liability, property and casualty, and workers' compensation potential claims. The risks of loss arising from general liability up to \$3,000,000 aggregate, building contents and property damage, and workers' compensation coverage are managed through purchased commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

Richland Community Library
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended September 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 240,160	\$ 240,160	\$ 244,850	\$ 4,690
State grants	5,150	5,150	4,689	(461)
Charges for services	9,600	9,600	6,329	(3,271)
District court penal fines	6,000	6,000	15,204	9,204
Investment return	4,350	4,350	33,148	28,798
Contributions	17,867	17,867	24,543	6,676
Other	950	950	2,337	1,387
Total revenues	<u>284,077</u>	<u>284,077</u>	<u>331,100</u>	<u>47,023</u>
EXPENDITURES				
Culture and recreation	278,890	278,890	260,707	18,183
Capital outlay	<u>11,070</u>	<u>11,070</u>	<u>38,980</u>	<u>(27,910)</u>
Total expenditures	<u>289,960</u>	<u>289,960</u>	<u>299,687</u>	<u>(9,727)</u>
NET CHANGE IN FUND BALANCES	(5,883)	(5,883)	31,413	37,296
FUND BALANCES - BEGINNING	<u>774,393</u>	<u>774,393</u>	<u>774,393</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 768,510</u>	<u>\$ 768,510</u>	<u>\$ 805,806</u>	<u>\$ 37,296</u>

SiegfriedCrandallPC

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Fax 269-349-1344

November 20, 2006

Board of Trustees
Richland Community Library

We have audited the financial statements of the governmental activities and the major funds of Richland Community Library (the Library), as of and for the year ended September 30, 2006, which collectively comprise the Library's financial statements and have issued our report thereon dated November 13, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards.

In planning and performing our audit of the financial statements of the Library for the year ended September 30, 2006, we considered the Library's internal controls to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated November 13, 2006, on the financial statements of the Richland Community Library.

- Internal controls over cash collections of book fines, rental fees, and other incidental charges collected at the circulation desk can be enhanced through the use of a cash register. The use of a cash register is a control procedure that will improve security, accountability and limit access to cash.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with the Library's personnel, and we will be pleased to discuss it in further detail at your convenience.

Siegfried Crandall P.C.